Alberta

CONSUMER AND CORPORATE AFFAIRS

Office of the Minister

104 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Supervisor of Consumer Credit for the year ending December 31, 1985, as required under the terms of The Credit and Loan Agreements Act.

Respectfully submitted,

J.A. "Boomer" Adair
Minister of Consumer and Corporate Affairs

Alberta
CONSUMER AND
CORPORATE AFFAIRS
Program Development
Consumer Credit

19th Floor, 10025 Jasper Avenue, Edmonton, Alberta, Canada T5J 3Z5 403/427-5210

The Honourable J.A. "Boomer" Adair
Minister of Consumer and Corporate Affairs

Sir:

I am pleased to submit herewith my Annual Report for the year ending December 31, 1985, pursuant to the provisions of The Credit and Loan Agreements Act.

Respectfully submitted,

D.A. Bence
Supervisor of Consumer Credit

# ANNUAL REPORT
# OF THE SUPERVISOR
# OF CONSUMER CREDIT

The use of consumer credit in Canada continued to increase substantially, and by mid 1985 the Bank of Canada Statistical Review reported $54 billion in consumer credit outstanding, an increase of $5.7 billion over the preceding 12 months.

The same report indicated that consumers owed a total of $36.3 billion to the chartered banks, and that $4.4 billion of this was owed in Alberta.

The role of the Alberta government in this area has remained substantially the same since the initial proclamation of the Credit and Loan Agreements Act in 1967. That policy has been to provide for the disclosure of relevant information, to allow informed consumers to choose whether or not to use consumer credit.

In 1985 new legislation, the Consumer Credit Transactions Act, was passed to provide uniformity in the disclosure of information by focusing on the type of consumer credit transaction involved, rather than on the source of the credit. The Act allows credit grantors to extend more flexible types of credit, by removing restrictions in the existing Credit and Loan Agreements Act, and recognizing new methods of financing for consumers.

The Consumer Credit Transactions Act was awaiting proclamation by the end of 1985, pending discussions with various interest groups regarding the prequisite drafting of regulations.

The Retail Merchants Association of Canada reported an increase in consumer spending at year-end, indicating that the Alberta economy was improving. During the same period, retailers employed a variety of methods involving consumer credit in order to spur sales. Promotional schemes such as no interest, reduced-interest contracts, delayed payments, and leases with lower monthly costs than purchasing, all aimed specifically at the consumer, have now become the norm. Associated concerns lie in the possibility of consumers entering such contracts without realistically assessing their ability to repay as required.

The problems associated with consumer-credit use in the province continued during the calendar year. Newspaper articles quoting statistics released by the Federal Superintendent of Bankruptcy showed increases in consumer bankruptcies in Alberta, while numbers in the rest of Canada declined. By year-end, the Superintendent's Office reported a marginal increase in consumer bankruptcies in the province; of more significance, however, was a drop of 12.5% in bankruptcies over the last six months of the year in comparison to the last six months of 1984.

## TAX DISCOUNTING

Under the terms of the Credit and Loan Agreements Act the Supervisor of Consumer Credit registers tax discounters who operate in Alberta and, through an agreement with the federal government, administers the Tax Rebate Discounting Act which regulates the activities of tax discounters and limits the amount of discount on transactions.

The number of registrants in Alberta doubled in 1984 from 28 to 56 due in part to one firm's obtaining registrations for independent franchise members. Volume of activity also increased dramatically. (see Appendix 1)

In late 1985, the federal government passed amendments to the Tax Rebate Discounting Act, changing the percentage limitations on discount transactions. Under the old statute, a discounter could keep 15% of the total amount of the expected refund. That has been reduced to 15% of the first $300 of return, and 5% of any amount remaining. The ultimate effect of these amendments will not be known until the close of the tax-buying season in 1986, but with the reduced profitability of discount transactions, many discounters may drop out of the marketplace while more consumers may be attempting to sell their returns.

## EDUCATION

Equipping consumers with the skills to approach consumer credit in a rational manner, and to effectively manage their family finances, remains a top priority of the Program. Regional staff help consumers gain skills in family budgeting and handling consumer credit through individual and small-group counselling, together with larger group presentations. The booklet "Taking Charge of Your Money," which provides a strategy for self-management of personal finances, continues to be a primary publication for the Program. In 1985, 60,000 copies were distributed to Albertans.

## CURRENT BUSINESS PRACTICES

The primary concern during the complaint investigations of 1985 was in the area of collection practices. Over one-third of the total complaints in consumer credit investigated by the Department dealt with complaints about abuses by credit grantors as well as by third-party collectors.

The Supervisor of Consumer Credit has held ongoing discussions with representatives of the industry, to address concerns of collection abuse, and to ensure that the industry itself is diligent in establishing acceptable standards for collection activity in the marketplace.

A decrease in the number of investigations conducted during 1985, continuing a trend over the last two years, appears to indicate that liaison with business is helping to minimize substantial abuses and subsequent department investigations.

A good portion of the year was spent in discussions with various sectors of the credit-granting industry regarding the implementation of the Consumer Credit Transactions Act. These discussions resulted in recognition that the Consumer Credit Program is prepared to assist business with problems evolving from the legislation, and to work in concert in the marketplace.

Reaction to the legislation was received from a wide variety of interest groups and businesses, and Program efforts at involving the marketplace in a consultative role in the drafting of new legislation were well-received by the industry. This approach was directed at identifying and correcting many of the potential problems with the legislation prior to its implementation, thereby reducing confusion and difficulties for all involved.

## Appendix 1

### Activity of Alberta Tax Discounters

| | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| Number of Returns Acquired | 8312 | 20254 | 41049 | 58577 |
| Total Amount of Refunds Acquired | $6,744,088.00 | $18,145,626.00 | $34,281,318.30 | $49,808,963.36 |
| Average Refund | 811.37 | $895.90 | $817.21 | $850.32 |
| Total Discount Retained | $897,538.00 | $2,582,875.00 | $5,013,332.71 | $7,324,432.80 |
| Average Discount Per Return | $107.98 | $127.52 | $119.51 | $125.04 |
| Percentage of Refund Retained | 13.30% | 14.23% | 14.62% | 14.71% |

**Appendix 2**

## Summary of Complaints Received by Consumer Credit Program in 1985

### Complaint Investigations
(by type of business)

| | TOTAL | % of TOTAL |
|---|---|---|
| Collection Agency | 139 | 50.36 |
| Retail | 50 | 18.12 |
| Financial Institutions | 36 | 13.04 |
| Finance Company | 13 | 4.71 |
| Mail Order | 1 | .36 |
| Tax Discounter | 19 | 6.88 |
| Personal Services | 3 | 1.09 |
| Credit Reporting | 1 | .36 |
| Other | 14 | 5.07 |
| **TOTAL** | 276 | |

**Appendix 3**

**Complaint Investigations**
(by type of problem)

| | TOTAL | % of TOTAL |
|---|---|---|
| Collection Practices | 103 | 37.32 |
| Cost of Credit | 30 | 10.87 |
| Advertising | 20 | 7.25 |
| Pay-Out Calculations | 28 | 10.14 |
| Contract Liability | 12 | 4.35 |
| Unethical Practices | 10 | 3.62 |
| Cancellation of Contract | 4 | 1.45 |
| All Others (includes licensing investigations) | 69 | 25.0 |
| **Total Complaints** | 276 | |